

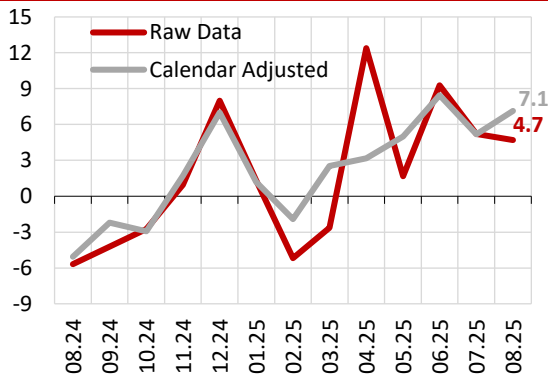
Macro: The increase in production does not signal a recovery in the main trend

The Industrial Production Index (IPI) increased by 0.4% mom in August in seasonally and calendar adjusted terms (s.a.), while growing by 4.7% yoy. Thus, annual growth in the July-August period was 5.0% (adjusted for calendar effects: 6.1%), while a flat qoq trend was recorded.

The monthly increase and the high annual growth in the IPI are not widespread. Accordingly, we do not interpret them as a positive signal for the underlying trend. The strong trend in defense (other transportation vehicles, computer-optical devices) and construction-related sectors (fabricated metal, basic metal, mineral products), driven by strategic choices and earthquake expenditures, masks the overall weak performance in the IPI. For example, excluding capital goods, which account for 78% of IPI, the IPI increased by 1.6% yoy in the Q3 so far and contracted by 1.0% qoq. The pace of contraction accelerated compared to the second quarter. The weakening in sectors most affected by the loss of competitiveness, such as clothing and textiles, and the food sector, plays an important role in the weakness in the main trend.

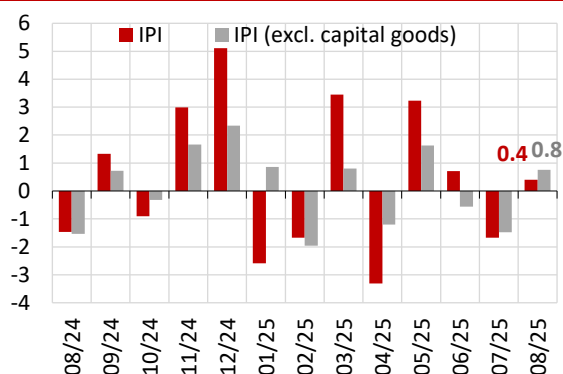
In August, Industrial Production Index (IPI) increased by 0.4% mom in seasonally and calendar adjusted (s.a.) terms and 4.7% yoy (Charts 1 and 2). Furthermore, the number of working days was one day lower than last year, limiting annual production growth. Indeed, calendar-adjusted annual production growth, which excludes this effect, was higher at 7.1%. On a quarterly basis, the IPI (s.a.) followed a flat trend in the third quarter, supported by capital goods. While the IPI (s.a.) excluding capital goods has been contracting for two quarters, the contraction got stronger compared to the second quarter (Charts 3 and 4).

Chart 1. IPI (yoy, %)



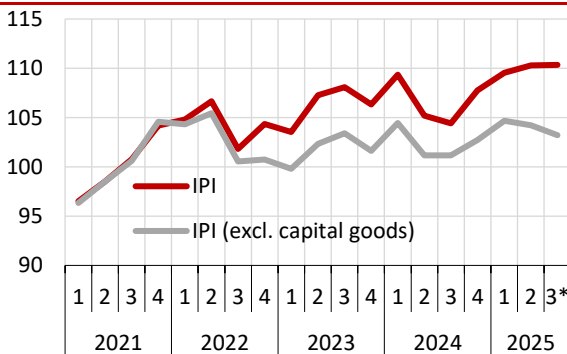
Source: Turkstat

Chart 2. IPI (seasonally adjusted, mom, %)



Source: Turkstat, Akbank

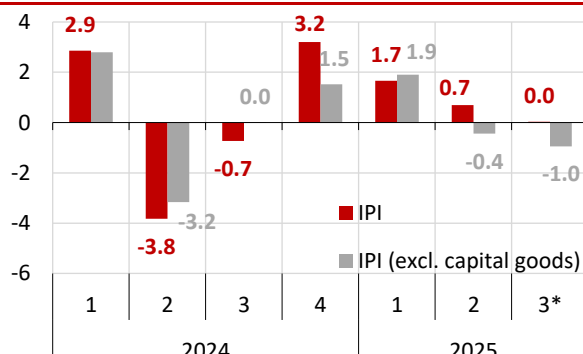
Chart 3. IPI (seasonally adjusted, 2021=100)



* July-August average

Source: Turkstat, Akbank

Chart 4. IPI (seasonally adjusted, qoq, %)



* July-August average

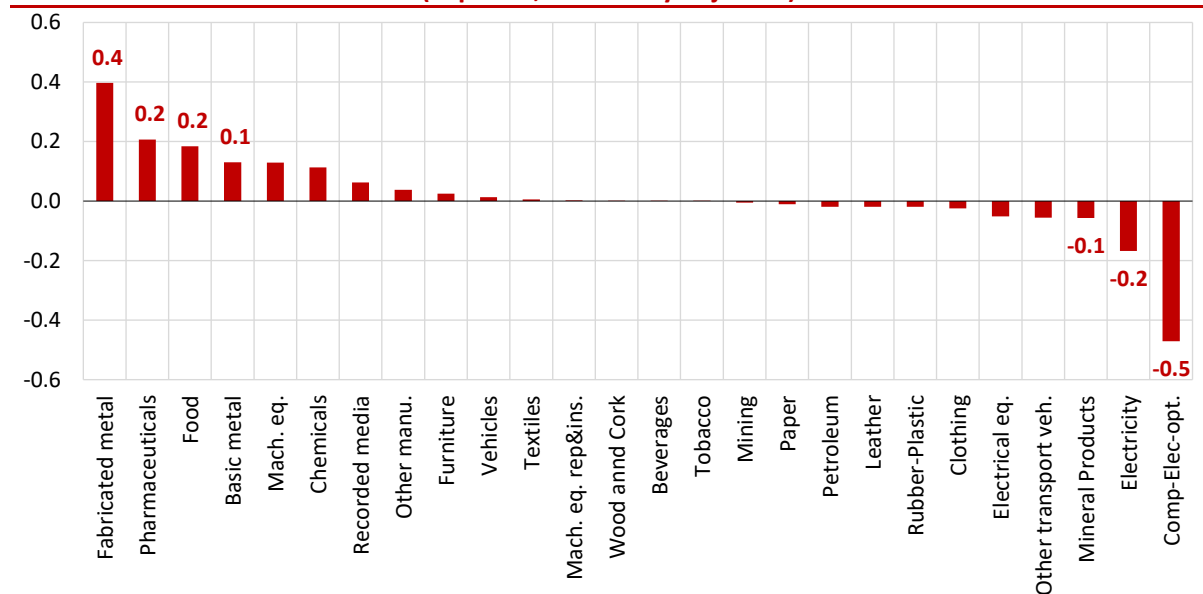
Source: Turkstat, Akbank

Following a significant decline in July, IPI (s.a.) recorded a limited increase in August (Chart 2). The slight increase was driven by corrections in some consumer goods sectors and the relatively positive trend in intermediate goods sectors related to the construction and defense industries (Table 2).

Production in the **fabricated metal** sector (s.a.), which encompasses a wide range of products such as metal construction materials, containers, weapons, ammunition, cutlery, and hardware, increased by 5.6% mom in August, contributing the most to total IPI growth by 0.4 percentage points (Chart 5). The 35% cumulative production increase in the weapons and ammunition sub-category over the last two months is noteworthy. Production in the manufacturing of **basic pharmaceutical products**, a sector with high monthly volatility, increased by 13.4% in August after contracting by 7.1% in the previous month, making it the second-largest contributor to the monthly IPI increase with 0.2 points. Although the recent downward trend in the **food sector** paused in August with a 1.5% monthly production increase, the quarterly contraction of 2.0% was stronger than the contraction in the second-quarter (1.5%). **Basic metals** and **machinery and equipment**, among the top five sectors contributing the largest monthly contribution to the IPI, gained significant momentum in the third quarter, with production increasing by 2.5% and 3.3%, respectively.

Meanwhile, production in the **other transportation vehicles** and **computer, electronic, and optical equipment manufacturing sectors**, dominated by defense industry manufacturers and generally moving together, declined by 1.1% and 19.9% mom, respectively, bringing IPI monthly growth down by a total of 0.53 points (Chart 5). **Other non-metallic mineral products**, including cement and ready-mix concrete (-0.9%), **electrical equipment** (-1.2%), and **clothing** (-0.6%) were the three other sectors that most constrained IPI production.

Chart 5. Contributions to the Monthly Change in IPI in August
(% points, seasonally adjusted)



Source: Turkstat, Akbank

Across goods groups, nondurable consumer goods production (s.a.) increased by 1.9% mom, driven by increased production in the food and pharmaceutical sectors, while intermediate goods grew by 0.9%, supported by the chemicals, base metals, and fabricated metals sectors (Charts 6 and 7). Capital goods and durable consumer goods production, on the other hand, contracted by 0.7% and 0.9%, respectively (Charts 8 and 10).

Chart 6. Intermediate and Consumption Goods (seasonally adjusted, 2021=100)

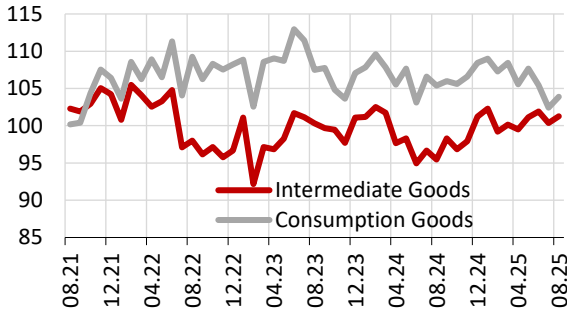


Chart 7. Consumption Goods (seasonally adjusted, 2021=100)

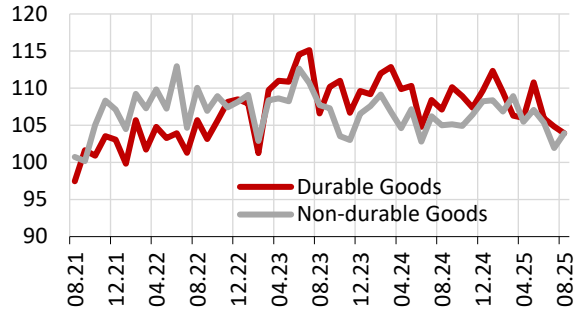
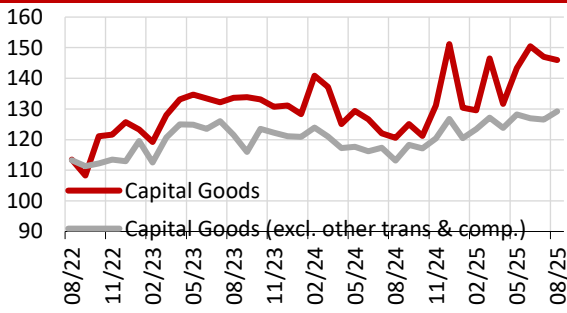
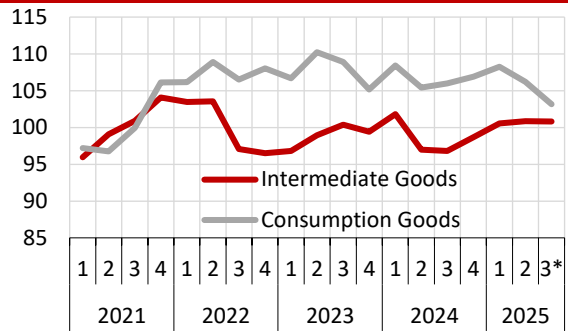


Chart 8. Capital Goods (seasonally adjusted, 2021=100)



Source: Turkstat, Akbank

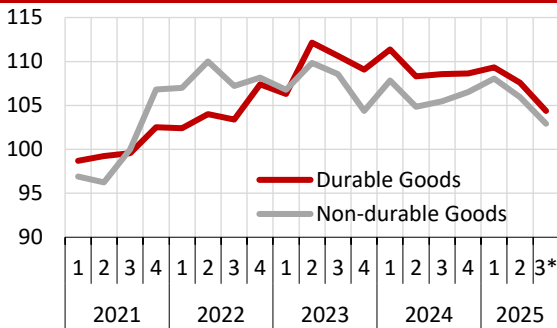
Chart 9. Intermediate and Consumption Goods (seasonally adjusted, 2021=100)



* July-August average

Source: Turkstat, Akbank

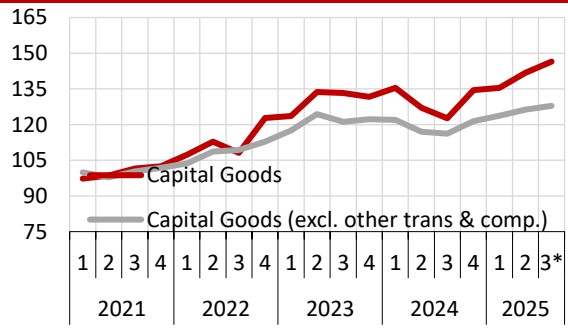
Chart 10. Consumption Goods (seasonally adjusted, 2021=100)



* July-August average

Source: Turkstat

Chart 11. Capital Goods (seasonally adjusted, 2021=100)

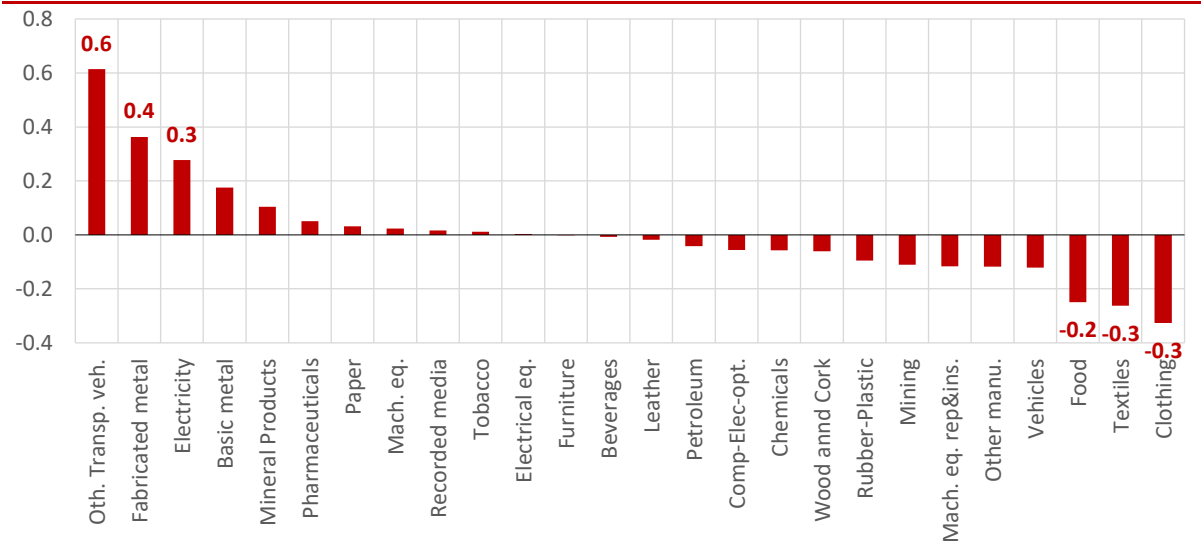


* July-August average

Source: Turkstat, Akbank

While the IPI (S.a.) remained flat in the third quarter, the divergence between sectors became more pronounced. Capital goods, led by other transportation vehicles related to the defense industry, contributed 0.8 points to the quarterly change of the IPI in the third quarter. Labor-intensive sectors (apparel, textiles), which were most affected by the loss of competitiveness among sectors other than capital goods, diverged negatively (Chart 12). Intermediate goods sectors related to construction and the defense industry, such as fabricated metals, basic metals, and other non-metallic mineral products, are also among the other sectors contributing to the IPI. Higher-than-normal seasonal temperatures also contributed to electricity generation's leading position.

Chart 12. Contributions to the Quarterly Change of IPI in 2025Q3
 (% points, seasonally adjusted)*



*July-August average

Source: Turkstat, Akbank

Table 1. Industrial Production Index (Annual % Change)

	May.25	Jun.25	Jul.25	Aug.25	2024-Q4	2025-Q1	2025-Q2	2025-Q3*	First 8 months
IPI	1.7	9.3	5.2	4.7	2.2	-2.2	7.4	5.0	3.1
Mining and quarrying	5.8	3.6	1.1	1.8	-4.2	-2.1	5.6	1.5	1.6
Mining of coal and lignite	8.7	-14.9	-27.6	-16.6	1.8	-0.6	-2.4	-22.4	-7.3
Extraction of crude petrol. and n. gas	30.4	25.3	21.0	14.9	68.9	42.8	32.3	17.9	31.8
Mining of metal ores	-7.5	0.9	0.2	2.0	-22.0	-8.6	-2.5	1.0	-3.9
Other mining and quarrying	7.5	13.0	12.7	4.8	-8.1	-8.5	10.0	8.7	3.0
Manufacturing	1.2	10.6	5.6	4.9	1.8	-2.7	7.7	5.3	3.0
Food products	3.3	15.1	5.9	7.1	-1.9	0.1	10.9	6.5	5.5
Beverages	2.9	2.4	5.2	2.8	6.2	-3.8	5.6	4.0	2.2
Tobacco products	15.2	9.9	12.5	11.1	3.3	-7.2	14.7	11.8	5.8
Textiles	-7.7	-0.7	-7.4	-9.2	3.4	-4.9	-1.1	-8.2	-4.4
Wearing apparel	-11.9	-12.6	-17.5	-20.3	10.5	-0.4	-6.7	-18.9	-7.8
Leather and related products	-7.8	-0.6	-6.4	-6.0	-4.6	-2.3	-2.6	-6.2	-3.4
Wood and cork products	4.2	31.2	11.3	5.7	-1.5	-1.1	18.1	8.5	8.0
Paper and paper products	-1.6	12.4	3.9	8.3	3.0	-3.3	6.7	6.1	2.7
Recorded media	-10.2	2.3	-11.7	0.6	-7.7	-5.6	-2.4	-5.2	-4.3
Coke and refined petroleum prod.	12.8	4.5	4.8	9.3	-10.2	4.4	9.4	7.0	6.9
Chemicals and chemical prod.	-2.0	7.0	0.8	3.4	1.5	-3.8	3.8	2.0	0.4
Basic pharmaceutical products	-5.0	24.6	4.6	17.7	-8.7	-12.9	8.7	11.3	-0.1
Rubber and plastic products	-2.7	10.8	1.7	-0.6	-3.1	-8.4	5.4	0.6	-1.3
Other non-metallic mineral prod.	7.7	10.0	13.0	9.1	-2.2	-5.2	10.6	11.1	4.9
Base metals	0.7	7.0	5.7	6.7	3.7	-0.1	6.1	6.2	3.8
Fabricated metal products	11.4	15.5	14.5	16.3	12.3	4.3	15.3	15.4	11.2
Comp., electronic and optical prod.	27.6	51.6	51.3	8.8	-1.3	4.6	27.8	29.4	19.2
Electrical equipment	-4.5	3.7	-0.2	2.2	-1.9	-3.3	4.4	0.9	0.6
Machinery and equipment	-8.9	-3.4	-5.6	-4.8	-7.5	-8.8	-3.0	-5.2	-5.8
Motor vehicles	-0.2	11.0	7.1	14.0	-10.6	-12.3	8.6	9.9	0.0
Other transport equipment	5.6	51.7	59.1	53.8	29.5	-5.8	23.0	56.6	19.1
Furniture	-0.9	7.0	2.9	1.8	4.0	-4.3	5.5	2.4	1.0
Other manufacturing	0.5	-1.7	-6.4	-11.7	-3.1	-2.4	4.6	-9.1	-1.6
Repair& instl. of mach. and eq.	14.1	24.5	6.8	8.6	9.1	9.0	17.3	7.7	11.7
Electricity, gas, steam	4.7	-1.1	5.8	6.1	10.0	5.0	4.9	5.9	5.3
IPI	1.7	9.3	5.2	4.7	2.2	-2.2	7.4	5.0	3.1
Intermediate Goods	-0.2	8.5	4.2	3.7	-0.7	-4.6	6.1	4.0	1.5
Durable Consumer Goods	-4.4	-1.1	-5.1	-8.2	-0.2	-3.5	-0.2	-6.7	-3.1
Non-durable Consumer Goods	-2.3	6.9	-2.1	-0.4	0.2	-2.2	5.0	-1.3	0.6
Energy	8.3	0.5	3.7	5.6	7.6	6.4	6.9	4.6	6.1
Capital Goods	8.2	21.5	20.2	17.8	5.9	-1.4	14.9	19.1	9.5
Low Technology	-2.6	5.5	-2.0	-2.0	1.9	-2.1	4.3	-2.0	0.2
Medium-Low Technology	4.5	9.9	6.0	5.8	0.6	-1.8	8.8	5.9	4.1
Medium-High Technology	-1.6	3.4	7.0	15.2	-1.5	-4.0	4.8	10.7	2.8
High Technology	21.3	96.9	59.0	7.7	16.1	-6.9	40.0	31.0	17.2

*July-August average

Source: Turkstat

Table 2. Industrial Production Index (Seasonally and Calendar Adjusted)

	Monthly % Change				Quarterly % Change			
	May.25	Jun.25	July.25	Aug.25	2024-Q4	2025-Q1	2025-Q2	2025-Q3*
IPI	3.2	0.7	-1.7	0.4	3.2	1.7	0.7	0.0
Mining and quarrying	5.1	-5.1	-0.5	-0.1	-3.3	6.2	1.4	-2.4
Mining of coal and lignite	20.2	-19.6	-12.2	5.6	-6.9	2.9	2.2	-17.4
Extraction of crude petrol. and n. gas	0.7	1.0	0.6	-0.9	5.6	4.1	6.2	1.1
Mining of metal ores	-3.6	-0.5	6.3	-6.3	-7.0	8.2	-0.2	1.4
Other mining and quarrying	7.1	-3.1	-1.1	3.1	-1.2	8.5	0.8	0.6
Manufacturing	3.4	0.9	-2.2	0.7	3.7	1.4	0.7	-0.2
Food products	-1.0	0.0	-2.4	1.5	1.3	4.5	-1.5	-2.0
Beverages	-4.7	-0.5	0.5	0.0	8.1	0.1	1.0	-1.4
Tobacco products	12.8	-5.4	2.7	0.0	1.9	-2.0	12.3	2.9
Textiles	1.7	0.5	-5.1	0.1	2.4	-2.0	-3.4	-4.2
Wearing apparel	4.1	-6.5	-4.5	-0.6	0.1	-3.3	-8.3	-7.8
Leather and related products	11.6	-9.4	2.1	-2.4	0.5	0.7	-3.9	-2.2
Wood and cork products	-2.7	7.3	-8.3	0.1	7.6	7.1	-1.0	-4.7
Paper and paper products	-2.0	1.3	1.3	-0.4	3.0	0.7	1.7	1.3
Recorded media	4.5	-2.0	-2.2	9.1	-10.4	5.3	-1.3	2.3
Coke and refined petroleum prod.	-3.7	-2.4	1.7	-0.7	3.7	12.4	2.0	-1.6
Chemicals and chemical products	1.3	-0.7	-2.7	2.8	2.7	0.8	-0.2	-1.4
Basic pharmaceutical products	-0.2	6.5	-7.1	13.4	1.2	-2.5	8.5	3.2
Rubber and plastic products	3.0	2.3	-4.6	-0.5	1.4	2.0	0.4	-2.4
Other non-metallic mineral products	7.0	-3.0	1.9	-0.9	2.2	5.3	2.0	1.6
Base metals	-0.7	1.3	1.6	2.5	3.3	2.1	-1.6	3.5
Fabricated metal products	7.0	-0.1	0.2	5.6	7.4	0.4	1.3	5.2
Computer. electronic and optical prod.	29.2	7.2	-4.2	-19.9	2.1	19.6	1.2	-2.5
Electrical equipment	0.6	-1.2	1.3	-1.2	-0.8	1.9	1.7	0.1
Machinery and equipment	1.4	-1.8	-0.3	3.3	2.0	-2.7	-3.3	0.6
Motor vehicles	1.0	-0.7	-1.8	0.2	0.9	2.8	7.0	-1.9
Other transport equipment	24.4	28.3	-7.7	-1.1	37.0	-11.3	18.3	14.5
Furniture	3.8	-1.5	-0.8	1.0	3.3	1.4	-0.9	0.0
Other manufacturing	3.4	-5.4	-4.2	2.0	0.1	0.1	-2.2	-5.8
Repair and installation of mach. and equip.	4.4	4.3	-7.5	0.1	4.2	4.0	3.5	-3.5
Electricity, gas, steam	-0.2	1.8	4.5	-2.5	2.1	1.1	-0.4	4.4
IPI	3.2	0.7	-1.7	0.4	3.2	1.7	0.7	0.0
Intermediate Goods	1.6	0.8	-1.5	0.9	1.9	1.9	0.3	0.0
Durable Consumer Goods	4.5	-4.3	-1.1	-0.9	0.1	0.6	-1.6	-3.0
Non-durable Consumer Goods	1.5	-1.6	-3.2	1.9	1.0	1.4	-1.9	-2.9
Energy	0.5	-1.2	2.3	-1.4	1.8	3.8	0.7	0.9
Capital Goods	8.9	4.9	-2.3	-0.7	9.7	0.7	4.7	3.3
Low Technology	1.1	-1.3	-2.8	0.6	1.7	1.1	-2.4	-3.0
Medium-Low Technology	2.5	0.1	-1.6	1.2	3.0	3.1	1.0	-0.1
Medium-High Technology	3.5	-3.4	3.6	4.4	3.4	0.9	3.2	4.6
High Technology	26.3	38.2	-19.0	-16.3	21.7	-1.5	9.3	-2.8

* July-August average

Source: Turkstat

This report is prepared by Akbank Economic Research

Economic.research@akbank.com

Çağlar Yüncüler, PhD – Vice President

Caglar.Yunculer@akbank.com

M. Sibel Yapıcı

Sibel.Yapici@akbank.com

Sercan Pişkin

Sercan.Piskin@akbank.com

DISCLAIMER STATEMENT: The text, information and graphs in this report and comments has been prepared from the primary accessible systemic sources on a bona fide basis, and without consideration to establishing any guarantee and assurance for establishing a basis for any informed decision under any name or form, in terms of their accuracy, validity and effectiveness, and thus it has only been gathered for information purposes. Akbank TAŞ, Ak Yatırım AŞ and their employees will not be held responsible for any damages resulting from the comments included in this report such as lack of information and/or updates. Akbank TAŞ and Ak Yatırım AŞ may modify and/or remove the above information and recommendations at any time, without having to serve any prior notice and/or warning in any way, manner or form. Since this report and comments, the comprehensive information and recommendations which have been prepared in the form of general investment suggestions for the purpose of providing general information do not include any commitment by Akbank TAŞ and Ak Yatırım AŞ, the consequences of any decisions taken, conclusions reached, transactions made and any risks caused by any private and/or legal person based on such information will therefore rest with such persons. For this reason, Akbank T.A.Ş., Ak Yatırım A.Ş. and their employees shall not by any means or in any manner be liable for any material and moral damages, loss of profits, or any direct and/or indirect damages, whatsoever, incurred by the persons concerned or 3rd parties, as a result of the decisions taken, conclusions reached, or transactions performed by private and/or legal persons due to reliance on the information contained in this report, the comments and recommendations herein, and the persons concerned understand and accept that they are not entitled to claim any indemnity, whatsoever, from Akbank TAŞ, Ak Yatırım AŞ and their employees for any damages suffered/to be suffered. The information given in this report, and the comments and recommendations contained herein do not constitute an "investment consultancy" service and/or activity, but fall within the scope of a general investment consultancy activity, and individuals and entities willing to receive an investment consultancy service must contact entities and institutions that are authorized to provide such service and obtain such service under a service agreement pursuant to the legislations of CMB. Investment consultancy services are offered under an investment consultancy agreement to be signed between brokerage houses, portfolio management companies, banks that do not admit deposits and the clients. The comments and recommendations contained herein depend upon the personal opinions of the persons who make the comments and recommendations. Since such opinions have been arranged in the scope of a general investment consultancy activity they do not contain reports, comments and recommendations specific to a person, and may therefore not suit your financial status, risk and return preferences. Thus, making investment decisions solely based on the information contained herein might not bring an outcome that meets your expectations.

